

HOUSING WORKSHOP 3

Manufactured Homes
2 Facilitators Needed
Estimated Time: 1hr 55 min

Things to Prepare BEFORE WORKSHOP

| ITEM | APPENDIX # | PAGE # USED |
|---|-------------------|-------------|
| Flip Chart 3-1 | A-3-1 | 3-2 |
| Flip Chart 3-2 | A-3-1 | 3-4 |
| Handout 3-1 <i>Tips for Buying and Owning a Manufactured Home</i> | A-3-2 | 3-5 |
| Handout 3-2 <i>9 Biggest Issues Affecting Housing Consumers</i> | A-3-3 | 3-6 |
| Evaluation Form | Trainer's Section | 3-11 |

| Activity | Page | Time | Materials |
|--|------------|-----------------------------------|---|
| Introduction <ul style="list-style-type: none"> Introduction of facilitator and participants, icebreaker. Review of workshop objectives | 3-2 | 15 min 5 min 20 min | <input type="checkbox"/> Blank Flip Chart/Markers <input type="checkbox"/> Flip Chart 3-1 Workshop Objectives |
| Learning Activity 1: Manufactured Home Problems <ul style="list-style-type: none"> Role Playing Group Discussion | 3-3 3-4 | 20 min 15 min 35 min | <input type="checkbox"/> Blank Flip Chart/Markers <input type="checkbox"/> Flip Chart 3-2 Skit Key Points |
| Break | 3-4 | 15 min | |
| Learning Activity 2: 9 Issues that Affect Manufactured Housing Consumers | 3-5 | 35 min 35 min | <input type="checkbox"/> Blank Flip Chart/Markers <input type="checkbox"/> Handout 3-1 <i>Tips for Buying and Owning a Manufactured Home</i> <input type="checkbox"/> Handout 3-2 <i>9 Biggest Issues Affecting Housing Consumers</i> <input type="checkbox"/> Flip Chart 3-3 <i>False Advertisement</i> |
| Wrap Up <ul style="list-style-type: none"> Workshop Evaluation | 3-11 | 10 min 10 min | <input type="checkbox"/> Evaluation Form |

Introduction

Time: 20 min

Materials: Flip Chart 3-1.

Reminder: The Trainer's role is always to *educate*, not to provide *advice*.

- **Introduction of Facilitator and Participants**

- Welcome the participants and introduce yourself to the group.
- Ask the participants to introduce themselves and conduct one Icebreaker selected by the facilitator from Icebreaker list.
- Tell the group that this session will give some information to Manufactured Home Owner and potential buyers.

- **Workshop Objectives**

- Show Flip Chart 3-1: Objectives and review it with the participants.
- Hang the flip chart so it is visible to the entire group.

Learning Activity 1: Tips to Mobile Home Park Renters

Time: 35 min

This activity will require two trainers

Materials: Flip Chart 3-2, Blank Flip Chart , Markers

Role Play:

- ❑ You will be reading a short skit addressing important concepts for renters of mobile home park spaces. One trainer will play the role of Jaime and the other the role of Gregorio.

Jaime: I wish we had never bought this house. We thought it was so nice when we qualified for a loan and the extras the salesman showed us. But now that work is slowing down and there's talk the company may close, the loan on the house plus the land is just too much.

Gregorio: Why don't you just sell it, amigo?

Jaime: Are you kidding? Who's going to buy it? Besides, I want to keep my land.

Gregorio: Why do you think it would be so hard to sell? I'd think a lot of families would want a nice house like yours.

Jaime: It's nice all right, but it has a nice monthly payment to go with it. The payment on the house alone is almost \$500 a month. And if someone buys it, they'd have to move it and if they didn't own their lot free and clear they'd be in the same boat I'm in.

Gregorio: You mean you pay \$500 for the house payment and another \$200 for your lot, \$700 a month?

Jaime: That's right. What were we thinking? Like I said, the salesman made us feel so good when he said we could qualify. Angie and I never had anything this nice before. First, the salesman showed us some less expensive models, but when he showed us this one and said we could qualify for the loan, we got carried away.

Gregorio: Well, have you talked to them. Just tell them you don't want it anymore, that it was a mistake.

Jaime: Sounds so easy but it's not. In this state, they can garnish wages for debts. Then how would I support the family?

Gregorio: Garnish wages – what is that?

Jaime: That means that every time I get paid, they'll take some money from my paycheck to pay off the debt. And if you give the house back to them, they consider it a voluntary repossession, and add more charges to what you already owe, like repossession fees, attorneys fees and who knows what else.

Gregorio: So what are you going to do?

Jaime: Well Angie made an appointment for us to visit with a Housing Counseling Agency that is approved by the U.S. Department of Housing. They have counselors that can help me look at my alternatives. Angie is looking for a job too. And pretty soon we should receive our income tax refund. Instead of spending it, we can put it in the bank in case I am laid off and we need the money to pay the house.

Gregorio: Seems to me that it would have been a good idea to get the counseling before you bought the house.

Jaime: You're right. It's good to know about interest rates, sales tactics, construction quality and a whole lot of other things before you buy – before you even start looking.

• Group Discussion

❑ Be prepared with flip chart 3-2 Skit key points.

- This activity consists in sharing experiences with the group. Ask if someone knows or has been in a similar situation
- Look up the number of the HUD-approved housing counseling agency in your area. Write it on a blank flip chart page.

-----15 min BREAK-----

Learning Activity 2: Nine Issues that Affect Buyers and Owners of Manufactured Homes

Time: 35 min

Materials: Handout 3-1, Handout 3-2, Blank flip chart, Markers.

- **Group Discussion**

- Some of you may already own a manufactured (or mobile home). Others may be considering buying one. This section will give you important information about issues that affect manufactured home buyers and owners.
- Open to a blank Flip Chart Page. Ask the group to share their thoughts about what they think are problems associated with manufactured homes. Write them on the Flip Chart.
- Consumers Union is an independent, nonprofit testing and information organization serving only consumers that has published several informational publications to help everyday people to learn more about things they have purchased or are considering purchasing. One of these publications is “Raising the Floor, Raising the Roof, Raising Our Expectations for Manufactured Housing”. In it, they discuss the nine biggest issues affecting manufactured housing consumers.
- Distribute Handout Housing 3-1 The Nine Biggest Issues Affecting Manufactured Housing Consumers
 - Review the definitions in the brochure and give additional information and examples of each of them. Use a blank flip chart to write down the examples. The main topics are as follows with additional information:

1. High Pressure Sales – commission-driven, high pressure sales techniques lead to problems similar to those found in automobile sales.

- Requiring deposits and credit checks limit the buyer’s ability to shop around for the best deal
- Terms and conditions of the sale, worsen at closing, including a higher base price, additional costs for items consumers thought they had already covered, packed insurance and more
- Dealers refusing to give consumers copies of contracts, including loan contracts
- Delivered product is sometimes a different make, model, year or size, or a completely different home than ordered or expected.
- Sold with promises of low monthly payments, quick closings and easy approval, manufactured homes are distributed through a network of retailers. Purchase prices of these homes are often 18% to 26% over wholesale, not including installation costs. Most states do not require retailers to post the base price, so there is little to limit the markup. The opportunity for fraud and economic loss through unscrupulous sales practices is made worse by a lack of controls in the financing of used manufactured homes.

What you can do to protect yourself:

- ❑ The National Automobile Dealers Association (NASA) publishes an appraisal guide that provides information about retail prices.
- ❑ Avoid buying extras that you do not need.
- ❑ Be wary of deals that are “too good to be true”.
- ❑ Seek information from a HUD-approved housing counseling organization (Call 1-800- 569-4287) for a location in your area).

2. Financing – Salespeople generally pressure consumers to finance through the retailer.

- ❑ Manufactured homes are legally classified as personal property – not real estate
- ❑ In case of default, homes can be quickly repossessed rather than foreclosed
- ❑ Many manufactured homes are sold as “chattel loans” (also known as retail installment contracts) - the same type of contracts used for cars and furniture
- ❑ Most borrowers borrow from a handful of lenders that specialize in the manufactured home financing market
- ❑ Sales practices used by unscrupulous dealers are:
 - Salespeople falsifying loan application information
 - Dealers encouraging buyers to verify by phone the home’s placement even if the home still needed installation
 - Higher interest rates, financed dealer add-ons such as cash rebates or “free” vacations, packed points, insurance and fees

Repossession leaves abandoned homes and lots littering communities across the country. These failures in home ownership depress property values for neighbors, leave taxes unpaid and disrupt the families who lose their homes.

What you can do to protect yourself:

- ❑ Seek counseling from a HUD-approved housing counselor before you purchase.
- ❑ Beware of “package deals” that include furniture and or stereo systems.
- ❑ Beware of single-premium credit policies (pays off home in case of death) – they will be added to the cost of your loan. With generally high interest rates on manufactured home loans, these items will cost you more than the items are worth in the long run and will cut into your equity in the home.
- ❑ Seek lower-cost financing options, which may not be the financing recommended by the retailer.
- ❑ Don’t buy based solely on the monthly payment offered by the dealer.
- ❑ Don’t let the dealer coax you into naming a price or a monthly payment you’d be willing to pay.
- ❑ Have them quote you a cash price, and negotiate from that.
- ❑ Ask the dealer to see their dealer’s invoice for the home you want.
- ❑ Be wary of these kinds of advertisements: see flip chart 3-3 False Advertisement.

3. Quality, Durability, Renewability – there is a wide variation in the quality of homes produced under the federal code that governs manufactured home construction.

- ❑ While many homes come with showy amenities like oversized tubs, kitchen islands and built in stereos, the real distinctions lie behind the walls
- ❑ Among other things, long-term durability is dependant upon the quality of joist construction, sub-flooring materials and roof design
- ❑ Purchasers cannot count on quality construction
- ❑ Major repairs and remodeling probably cost more than they would for site built construction
- ❑ Minor repairs may cost more as well since some home components must be purchased from specialty suppliers (example: exterior doors are typically smaller than standard doors in the site built market)

Low-quality manufactured homes create very real problems for their occupants. Deaths in manufactured homes due to tornadoes occur at rates much higher than in the site-built market. Older homes, especially those built before 1976, tend to have higher energy costs and present a higher risk of fire death to their residents.

What you can do to protect yourself:

- ❑ Learn as much as you can about the various construction options in manufactured homes
- ❑ Have used homes inspected by an inspector who has expertise with mobile homes (find your own inspector. Avoid hiring someone the seller refers you to)

4. Site Preparation and Installation – installation has often been viewed as the weak link in the manufactured housing production process, and many problems consumers report with their homes can be traced back to improper installation or site preparation.

- ❑ Site preparation is the clearing, leveling, utilities installation and drainage work that occurs before the home is brought to the site.
- ❑ Improper site preparation can lead to shifting foundations and moisture accumulation in the home, which can destroy its structural integrity.
- ❑ The contractor and sometimes the consumer can end up being the scapegoat upon whom manufacturers and retailers blame problems in order to avoid their warranty responsibilities.
- ❑ It is important that buyers understand the site preparation requirements.
- ❑ Installation is the placement of the house on a foundation.
- ❑ A manufactured home is only as solid as its foundation – improper installation can lead to continual problems.

What you can do to protect yourself:

- ❑ Take time to research the important site preparation and installation steps that lead to a durable home.

- ❑ Choose a site and a site preparation contractor – as well as a foundation type early in the process.

5. Warranty Service – lenders often pay the dealer before the dealer has completed the warranty work, leaving the dealer with little incentive to finish the work in a timely manner.

- ❑ Even after installation, most manufactured homes require some work due to damage caused in transit or factory errors.
- ❑ Used homes are often sold with minimal or no warranties, leaving consumers to resolve troubles that arise during the installation.
- ❑ Cosmetic items such as wall cracks, sloppy trim work, damaged floor coverings and sticky doors and windows affect the value of the home but are not covered by federal building codes and state mandated warranties.
- ❑ Widespread use of mandatory arbitration agreements limit consumers' options for redress if the retailer or manufacturer shirks their warranty duties.
- ❑ Federal and state agencies have the authority to enforce warranty services but usually may not have the will or resources to do the job right.

What you can do to protect yourself:

- ❑ Compare warranties from different manufacturers and understand your rights under those warranties.
- ❑ Document maintenance on your home as well as any problems that you encounter. This will help maximize your chances of getting redress for warranty claims.
- ❑ Budget for repairs in the home that are not covered under warranty.

6. Tenancy – Manufactured homes are not really mobile anymore. Home owners that rent a lot in a community or park have limited legal rights and face very high moving costs if they have to leave.

- ❑ Few homes are ever moved from their original installation, but when they are, the costs can run thousands of dollars.
- ❑ Moving costs, coupled with the difficulty of finding a new location, puts such tenants in a disadvantaged position when negotiating with landlords.
- ❑ Equity built up in the homes can easily be stripped when management increases space rents.
- ❑ Placing a home in a park will reduce its long-term value.

What you can do to protect yourself:

- ❑ Understand the problems that can arise if you place your home on someone else's land.

7. Enforcement – When manufactured home residents have trouble with their dealer, manufacturer, installer or landlord, they often have few places to turn for help.

- ❑ Many manufactured home owners cannot afford to hire a lawyer and thus cannot access the legal system.

- ❑ Many lawyers have no experience with the laws pertaining only to manufactured housing.
- ❑ The nearly universal use of binding arbitration is an additional barrier to the justice system, even when consumers find a lawyer.
- ❑ State agencies can themselves become barriers to redress when they themselves are beholden to the industry they regulate.
- ❑ The federal government does not have adequate staff or budget resources to help consumers.

What you can do to protect yourself:

- ❑ Unfortunately, there is little a consumer can do to get help when he or she encounters a problem and needs help.

8. Zoning - in 1976, the manufactured home industry was successful in getting the federal government to exempt these homes from local building codes. Local control over zoning is permitted.

- ❑ The industry is constantly attempting to lift zoning restrictions on manufactured housing.

What you can do to protect yourself:

- ❑ Understand that homeowners are usually restricted as to where manufactured homes may be located.

9. Appreciation and Equity Building – Manufactured homes placed on rented land are likely to lose value over time in comparison to site-built homes. Homes packaged with land are much more likely to appreciate at rates comparable to site-built homes.

- ❑ Return on investment to manufactured home buyers are quite varied and less predictable than appreciation rates of conventional housing – making this type of home purchase a bigger risk for buyers.
- ❑ The neighborhood and regional housing market has a great influence on the value of a manufactured home.
- ❑ Consumers who received a good deal on their purchase increase their chances of reselling it for more.
- ❑ Overcrowding increases wear-and-tear and reduces the value of a home.
- ❑ Younger homes tend to appreciate more, but the effect drops after a few years.
- ❑ Condition is a better predictor of appreciation than age.
- ❑ Money spent on upkeep and repairs may translate into higher resale value.
- ❑ Manufactured homes can lose value when they are “unwrapped”, due to reduced demand (and financing) for used homes.

For most people, the purchase of their home is the largest purchase they will ever make. Homeowners hope the value of their property will increase because this helps them build wealth. Equity can be lost through high cost markups, fees and financing and are also affected by the items listed above. Physical problems resulting from low-quality materials or sloppy installation that are not fixed under the warranty damage the resale

value of the home. Zoning can restrict the ability of homebuyers to place their homes in neighborhoods that are most likely to appreciate.

What you can do to protect yourself:

- ❑ Understand the purchasing process and become knowledgeable about selecting a quality home so you can get the best deal.
- ❑ Stay away from financing add-ons
- ❑ Keep up the repairs and maintenance on the home since condition affects value.
- ❑ Consider buying an appraised and inspected used home instead of a new home, since it is likely that new homes suffer instant depreciation once they are moved off the lot, and depreciation tends to level off after a few years.

- ❑ Read: In conclusion, in the best case, manufactured homes can provide an affordable housing alternative for families. In the worst case, they can be over-priced debt-traps that fall apart before the loan is paid off, leaving a family in worse shape than before. The difference is in the details of the deal and knowing what to look for and how to get the best home for you and your family.

- ❑ Afterwards, distribute Handout Housing 3-2 – Tips for Buying and Owning a Manufactured Home. Distribute this handout before ending the session.

WRAP UP

Time: 10 min

Materials: Evaluation Form

- **Evaluation of Workshop**

- Distribute Evaluation Forms.
- Ask the group to please complete Evaluation Form with their comments
- Let them know that their comments are important to further improve the module
- Thank them for taking the time to attend this workshop and ask them if they have any questions.
- If you cannot answer a particular question, write it down along with the contact information for the person who asked the question. Contact them later with an answer.

FLIP CHART 3-1 Objective

**Learning about Issues that Affect Buyers and Owners
of Manufactured Homes**

Flip Chart 3-2 Skit Key Points

- Look for Counseling before looking for a manufactured Home
- Sales person take advantages
- Where to go if having problems paying the House

Flip Chart 3-3 False Advertisement

NEW AND USED HOMES

Set up and ready to Move In!!!

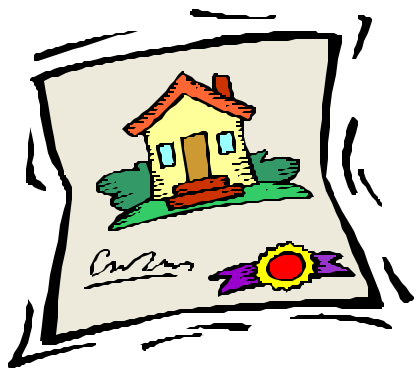
Take over Payments!

Use Your Tax Return as Down Payment!

EZ Qualifying! We Own the Bank!

Call Today for More Details!

- In warm southwest climates, choose homes with air outlets in the ceiling.
- In very hot climates choose to upgrade your home's insulation rather than opting for oversized equipment.
- Be sure all outdoor electrical outlets, as well as those near sinks in the bathroom and kitchen, have ground-fault circuit-interrupter protection. (You can recognize these outlets by buttons marked "test" and "reset".)
- The more electrical outlets in the home - the better as you will be less likely to overload those circuits and the circuit breaker.



- Put protective skirting around the home to be sure the bottom remains well ventilated.
- The plastic sheeting "belly wrap" that covers the bottom of the home is designed to seal out moisture and hold the insulation in place. If the belly sags or tears, a gap may form in the insulation. Tears allow moisture, rodents, insects and other pests to enter your home through holes in the belly wrap.
- Quarterly, and after severe weather, inspect the belly wrap for signs of damage or sagging. Most problems can be handled with a do-it-yourself repair kit.



Tips for Buying and Owning a Manufactured Home



*Handout 3-1
A-3-2*

This pamphlet was produced with information from the Consumers Union
www.consumersunion.org/mh

Tips

These statements are prevention tips and/or solutions to the most typical problems a manufactured home owner faces.

- Choose a shingled roof over a metal roof, if possible.
- Make sure the roof hangs over the edge of the house and is properly ventilated.
- Be sure the home has adequate attic ventilation – attic space on most homes with metal roofs is sealed and unventilated and can cause moisture to gather in the winter and make the home hotter in summer.
- Unventilated or improperly ventilated attics on homes with shingles can shorten the shingle life or void the warranty on the shingles.
- Look for a home with exterior wall studs 16 inches apart.
- Choose vinyl siding rather than metal or hardboard siding as they are more prone to have water problems.
- Look for a home with exterior walls at least 7 ½ feet high.
- Better to buy homes built with 2x6-inch lumber than those built with 2x4-inch lumber. Wider studs make room for more insulation in the walls.
- Homes with exterior sheathing provide structural strength – typically a layer of plywood or oriented-strand board (OSB) between the studs and the siding. Homes with metal siding may not have structural exterior sheathing.
- Quality plumbing fixtures may require an upgrade but should be more durable and cost-effective in the long run.
- Request a shutoff valve at each plumbing fixture, including the toilet.



- Homes equipped with low-quality sinks, tubs, showers and faucets (thin molded plastic) often lead to cracks and leaks. It is better to upgrade to fixtures made of heavy reinforced plastic or porcelain-covered steel.
- Choose insulated (double-pane) glazed windows with welded vinyl frames.
- Avoid particleboard subfloors – when wet, it is more susceptible



than plywood to swelling, warping and loss of strength.

NOTE: Following a these tips doesn't imply that your home will be trouble free.

6. Tenancy

Manufactured homes are not really mobile anymore. Home owners that rent a lot in a community or park have limited legal rights and face very high moving costs if they have to leave.

- Few homes are ever moved from their original installation, but when they are, the costs can run thousands of dollars.
- Placing a home in a park will reduce its long-term value.

What you can do to protect yourself:

- Understand the problems that can arise if you place your home on someone else's land.

7. Enforcement

When manufactured home residents have trouble with dealers, manufacturers, installers or landlords, they often have few places to turn for help.

- Many manufactured home owners cannot afford to hire a lawyer and thus cannot access the legal system.
- The federal government does not have adequate staff or budget resources to help consumers.

What you can do to protect yourself:

- Unfortunately, there is little a consumer can do to get help when he or she encounters a problem and needs help.

8. Zoning

In 1976, the manufactured home industry was successful in getting the federal government to exempt these homes from local building codes. Local control over zoning is permitted.

The industry is constantly attempting to lift zoning restrictions on manufactured housing.

What you can do to protect yourself:

- Understand that homeowners are usually restricted as to where manufactured homes may be located.

9. Appreciation and Equity Building

Manufactured homes placed on rented land are likely to lose value over time in comparison to site-built homes. Homes packaged with land are much more likely to appreciate at rates comparable to site-built homes.

- The neighborhood and regional housing market has a great influence on the value of a manufactured home.
- Overcrowding increases wear-and-tear and reduces the value of a home
- Condition is a better predictor than age of appreciation

What you can do to protect yourself:

- Understand the purchasing process and become knowledgeable about selecting a quality home so you can get the best deal.
- Stay away from financing add-ons.
- Keep up the repairs and maintenance on the home since condition affects value



Nine Biggest Issues Affecting Manufactured Housing

Handout 3-2

A-3-3

1.High Pressure Sales

- Requiring deposits limit the buyer's ability to shop around for the best deal
- Terms and conditions of the sale worsen at closing.
- Dealers refusing to give consumers copies of contracts, including loan contracts
- Delivered product is sometimes a different make, model, year or size, or a completely different home than ordered or expected.

What you can do to protect yourself:

- Look for the real retail price of the property.
- Avoid buying extras that you do not need.
- Be wary of deals that are "too good to be true".

2. Financing – Salespeople generally pressure consumers to finance through the retailer.

- Manufactured homes are legally classified as personal property.
- Many manufactured homes are sold as "chattel loans" (also known as retail installment contracts).
- Most borrowers borrow from a handful of lenders that specialize in the manufactured home financing market.
- Sales practices used by unscrupulous dealers are:
 - Salespeople falsifying loan application information
 - Dealers encouraging buyers to verify by phone the home's placement even if the home still needed installation
 - Higher interest rates

What you can do to protect yourself:

- Seek counseling before you purchase from a HUD-approved housing counselor
- Beware of "package deals"
- Seek lower-cost financing options
- Don't buy based solely on the monthly payment offered by the dealer
- Have them quote you a cash price, and negotiate from that
- Ask the dealer to see their dealer's invoice for the home you want

3. Quality, Durability, Renewability

- While many homes come with showy amenities like oversized tubs, kitchen islands and built in stereos, the real distinction lie behind the walls.
- Among other things, long-term durability is dependant upon the quality of joist construction, sub-flooring materials and roof design.
- Purchasers cannot count on quality construction.
- Major repairs and remodeling probably cost more than they would for site built construction.
- Minor repairs may cost more as well since some home components must be purchased from specialty suppliers.

What you can do to protect yourself:

- Learn as much as you can about the various construction options in manufactured homes.
- Have used homes inspected out by an inspector who has expertise with mobile homes.

4. Site Preparation and Installation :

Installation has often been viewed as the weak link in the manufactured housing production process, and many problems consumers report with their homes can be traced back to improper installation or site preparation.

- Manufactured homes are only as solid as their foundation – improper installation can lead to continuous problems.

What you can do to protect yourself:

- Take time to research the important site preparation and installation steps that lead to a durable home.
- Choose a site and a site preparation contractor – as well as a foundation type early in the process.

5. Warranty Service

Lenders often pay the dealer before the dealer has completed the warranty work, leaving the dealer with little incentive to finish the work in a timely manner.

- Even after installation, most manufactured homes require some work due to damage caused in transit or factory errors.

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- Compare warranties from different manufacturers and understand your rights under those warranties
- Budget for repairs in the home that are not covered under warranty.